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FOCUS

Appetizers: Not just for starters anymore

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Halloween promos scare up business

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BEER, WINE & SPIRITS

t stop sales

Mort Hochstein/Page 26

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Operators aid quake victims

Hotels, independents offer food, shelter in aftermath

By Alan Liddle

SAN FRANCISCO — Faced with widespread devastation and sometimes deep personal losses, the many food-service operators here rallied to rescue and relief efforts after the killer earthquake.

The trembler, which measured 6.9 on the Richter scale, was centered about 65 miles south of San Francisco near Santa Cruz and caused hundreds of deaths and billions of dollars in damage, according to early reports. The fatalities included at least two food-service employees.

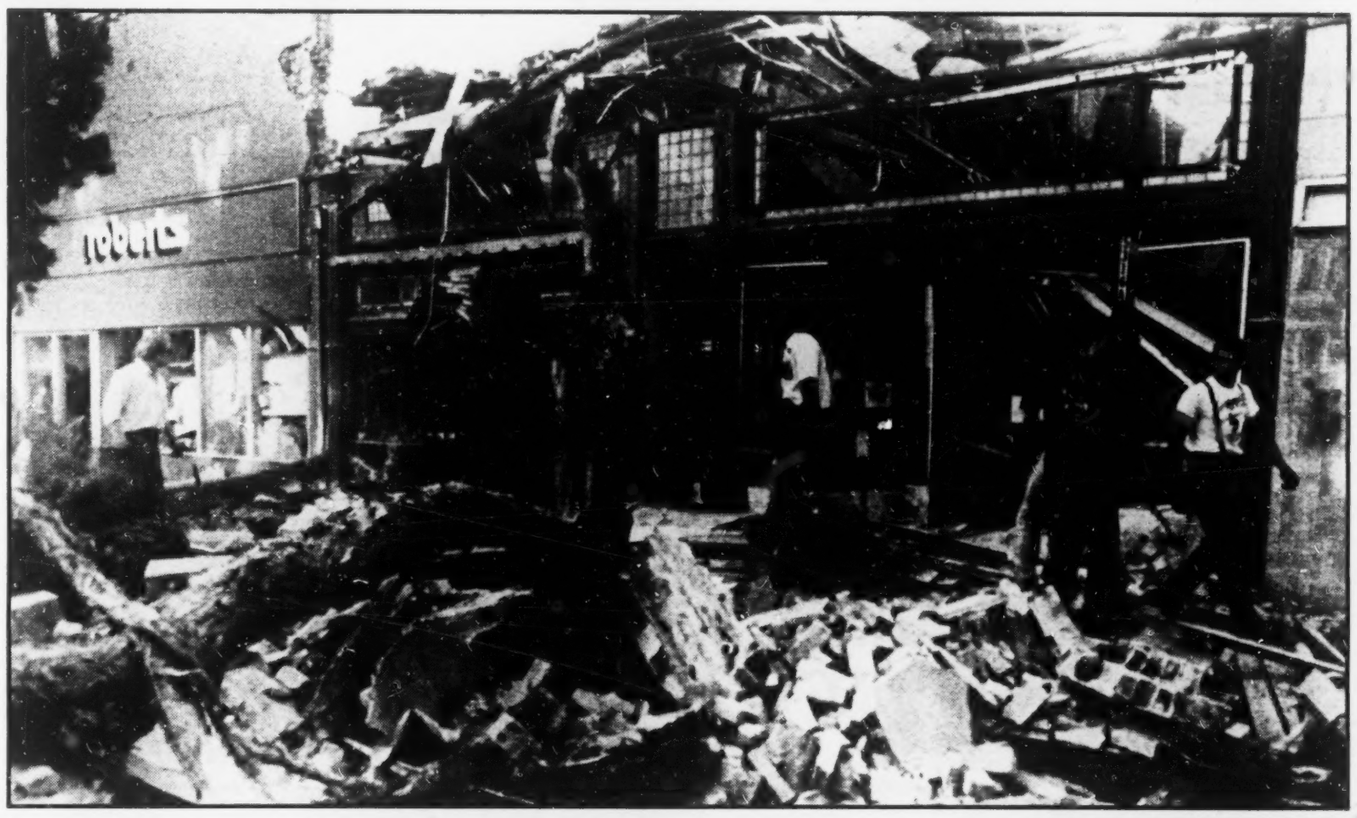
Hospitality workers and officials were among the first to come to the aid of the community after the quake, which hit hardest in a seven-county area bounded by San Francisco and Oakland to the north and Carmel to the south.

Hotels, including the downtown Hilton and Hyatt Regency Embarcadero in San Francisco, operated as shelters for people who were stranded in the city by the closure of roads, public transit lines and the airport.

Independents, such as Parm Sing and his partners in Brothers Pizza, a small San Francisco Sunset District pizzeria, offered free food to people who were down and out the day after the disaster.

Operators, including San Francisco-based Spectrum Foods, gave non-profit agencies food that otherwise would have spoiled because power outages rendered restaurant refrigerators inoperable.

Darius Brewer, a 26-year-old Oakland area cook, was among the volunteers who helped pull survivors from the mangled wreckage of the collapsed double-decker Nimitz Freeway minutes after the earthquake, the Los Angeles Times reported.



AP/Wide World Photos

Residents of Santa Cruz, Calif., walk though the rubble of collapsed buildings in the town's business center following the earthquake that took place recently.

Lyon's Restaurants Inc. of Foster City provided free food for firefighters at its Los Altos unit and agreed to collect patron and employee contributions to the Red Cross.

Giant brewer Anheuser-Busch packaged thousands of gallons of drinking water in beer cans for transport and distribution to districts where the quake knocked out power to well pumps or broke water mains.

*(See **QUAKE**, page 4)*

Licensees rally around Roberts in Arby's fight

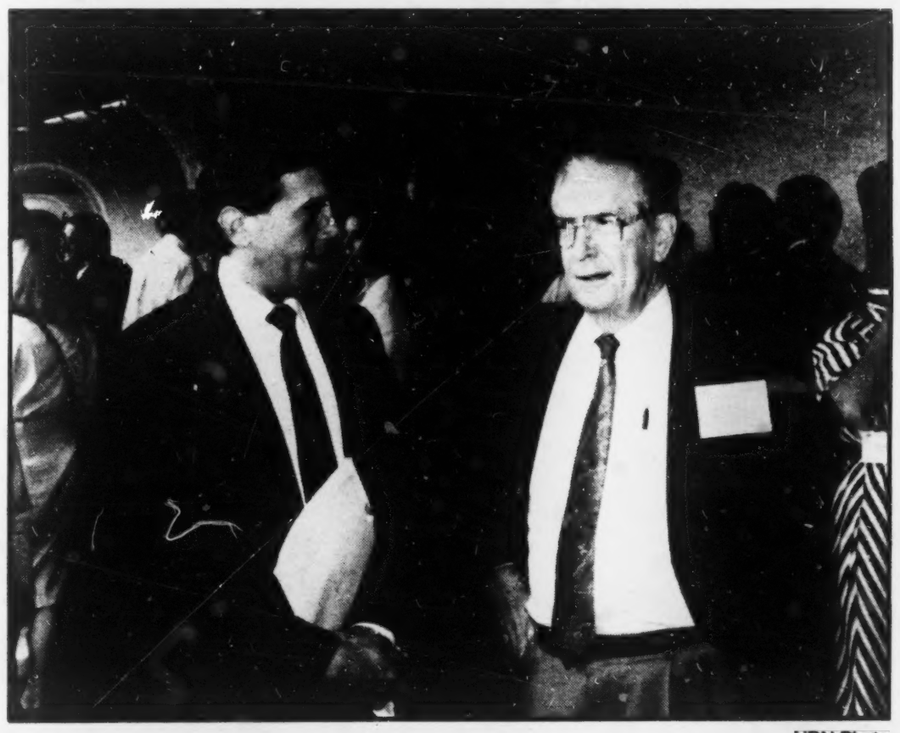
By Richard Martin

PHOENIX, Ariz. — While Victor Posner's top lieutenants sulked outside in the desert heat, "President-in-Exile" Leonard Roberts defiantly recruited an apparent majority of convening Arby's franchisees to fight Posner's continued control of the roast-beef-sandwich chain.

Fired as Arby's president by the controversial Miami financier two months ago for endorsing a franchisee-led buyout bid, Roberts received cheers and thunderous applause during his surprise speech here during the annual Arby's franchisee convention.

Posner "really does not care if Arby's goes down the tubes," charged Roberts, whose call for a change in ownership drew repeated standing ovations from the massed franchisees. Roberts told the group that before he was fired, Posner had stated his intention to "squash the franchisees like ants."

To the consternation of Posner's excluded representatives, Roberts was invited to address a closed-door forum of franchisees in his role as president of the newly formed A.P. Association Inc. — initially comprising 42 angry operators who own more than half of the chain's 1,900 franchised restaurants.



NRN Photo

Len Roberts, left, chats with George Nadler, an Arby's franchisee and member of R.B. partners.

Shut out of the closed meeting, Posner's legal counsel and top adviser, Roy Thornton, expressed "indignation" that Roberts had turned an Arby's convention into a Posner-bashing recruitment rally for the A.P. Association. "His

*(See **ARBY'S**, page 93)*

McD rolls McRib sandwich

By Rajan Chaudhry

OAK BROOK, Ill. — McDonald's Corp. has rolled out its McRib sandwich nationwide and expects to sell 80 million of the pork sandwiches during a four- to six-week promotion.

The systemwide introduction of the sandwich comes at a time when the company's real same-store sales have been on the decline for a year and a half, reportedly sliding as much as 3 percent in the latest quarter alone.

Over the past six quarters, McDonald's competitors in the fast-food segment have nibbled away steadily at the company's market share with heavy discounts, forcing the

*(See **McRIB**, page 93)*

CHARLES BERNSTEIN ON THE FOUR SEASONS: A TRUE LANDMARK — Page F3

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Oct. 30, 1989

NEWS DIGEST

FDA seizes mushrooms packaged in China

WASHINGTON — The Food and Drug Administration is seizing all shipments of packaged mushrooms from China following several incidents of severe food poisoning in the United States.

The FDA said in a prepared statement that the seizures would continue until the People's Republic of China determines why its exported mushrooms are being contaminated and takes steps to rectify the situation.

The agency explained that the mushrooms were "mishandled and subjected to unsanitary conditions" within Chinese processing plants, fostering growth of a bacteria that caused "severe" illnesses in cafeteria and restaurant patrons.

The agency said it is detaining all mushrooms shipped from China in any type and size of container. Mushrooms in No.-10-sized cans had been seized since May 19.

The FDA broadened the embargo following incidents of food poisoning at restaurants and cafeterias in Mississippi, New York and Pennsylvania.

Friendly's Cauley retiring; Smith to assume the helm

WILBRAHAM, Mass. — John F. Cauley, president of Friendly Ice Cream Corp., said he would retire this week, ending 32 years of service to the 850-unit family-dining chain.

Don N. Smith, chairman of the board of Tennessee Restaurant Corp., which bought Friendly's last year and which operates Perkin's Family Restaurants, said he would assume the presidency of Friendly.

Cauley joined Friendly's in 1957 as a manager trainee. He was promoted to restaurant manager in 1959, district manager in 1961, assistant director of store operations in 1963 and director of store operations in 1966. He was appointed vice president of store operations and a member of the board of directors in 1970, group vice president in 1975 and executive vice president in 1979.

Cauley was named to the president's post in 1981.

Group buys Rally's stake, says it may reshuffle board

LOUISVILLE, Ky. — An investment group said it has amassed 45.2 percent of outstanding shares of Rally's Inc., operator of the Rally's drive-thru chain, and indicated that it may seek control of the company's board.

Three of the group's principals — William E. Trotter II, James M. Trotter III and advertising-industry veteran Burt Sugarman — are already directors. Also included are West Coast investors Michael Tennenbaum and Patricia Glaser.

Rally's said it scheduled a meeting of its nine-member board to review the developments. The company sold itself to the public on Oct. 12 for $15 per common issue. The shares have since traded for around $23 each.

Rally's operates and holds the franchise rights to double-drive-thrus in 23 states.

McDonald's net income rises 14%, to $217.9M

OAK BROOK, Ill. — McDonald's Corp., the world's largest restaurant company, said net income advanced 14 percent, to $217.9 million, on a 12-percent increase in revenues, to $1.63 billion, for its third quarter ended Sept. 30.

McDonald's posted a 9-percent increase in systemwide sales, to $4.6 billion, in the latest quarter, from $4.2 billion in the year-ago quarter.

The company said lower food costs more than offset higher occupancy costs at company-operated restaurants, widening margins to 19.3 percent of sales from 18.4 percent a year ago.

USA Cafes' partners file suit to overthrow sale

DALLAS — Shareholders of USA Cafes have filed a class-action suit challenging the limited partnership's sale of its Bonanza franchise system to a subsidiary of Metromedia Inc., owner of the rival Ponderosa steak-house chain.

The $71 million sale was recently completed, according to USA Cafes, which had agreed to change its name to Cafes One L.P. on Oct. 25. The company has not yet distributed the proceeds.

USA Cafes said in a statement that the suit is without merit. Efforts to locate the suit's filers were unsuccessful.

Congress bans funding for Sec. 89 enforcement

WASHINGTON — Instead of immediately repealing Section 89, Congress is attempting to negate the controversial tax regulation by banning the allocation of enforcement funds.

Most observers view the move as a stopgap measure to shield small businesses from the burdensome regulation until an outright appeal can be choreographed.

Section 89 requires employers to prove with reams of paper work that they do not discriminate when awarding employee benefits. Restaurateurs and other small-business operators yelped when the stipulation went into effect this year, spurring Congress to block enforcement by failing to allocate the necessary funds. However, funding was not outlawed.

Quaker's Jones resigns; VanBenthuysen steps up

CHICAGO — Russell Jones, who led Quaker Oats Food Service during its 10-year transformation from a small $30 million operation into a dominant $600 million business, has resigned as president in what he called a protest against "consolidations and cutbacks in the corporate environment."

He said that he gave 18 months' notice of his intentions, but Quaker immediately replaced him with Walter VanBenthuysen, who recently had been named a Quaker group vice president.

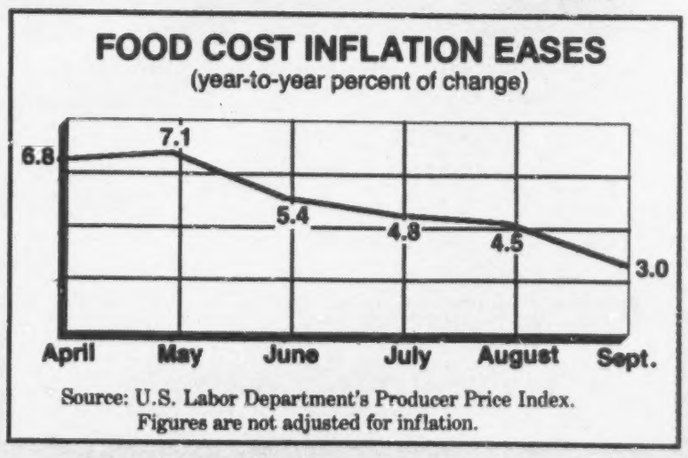
Wholesale food prices slow in Sept.

WASHINGTON — Wholesale food prices grew at their lowest rate of the year in September, advancing only 3 percent year to year, according to the U.S. Labor Department's producer price index for finished consumer foods.

Supermarket price inflation also slowed to a year's low of 5 percent in September from 5.8 percent in August, according to the department's consumer price index for food at home, while the CPI for food away from home showed menu price increases held firm, at about 4.7 percent.

Wholesale prices for fresh fruits dropped 10.2 percent in September, followed by prices of fresh and dried vegetables, which fell 17.5 percent; processed turkeys, which slipped 12.3 percent; processed young chickens, which slid 5.5 percent; and fish, which declined 5.4 percent.

Leading the price gainers, eggs advanced 22 percent, dairy products went up 8.8 percent and pork increased at a rate of 4.7 percent.



Source: U.S. Labor Department's Producer Price Index.
Figures are not adjusted for inflation.

FINANCIAL NEWS

Profits, sales skyrocket at Taco Bell, Pizza Hut

By Rajan Chaudhry

PURCHASE, N.Y. — Dizzying profit gains at Pepsico Inc.'s Pizza Hut and Taco Bell units more than offset falling earnings at its Kentucky Fried Chicken division to boost the company's profits from restaurant operations 25 percent, to $139.1 million, for its third quarter ended Sept. 9.

Sales for the period jumped 22 percent, to $1.3 billion.

Taco Bell continued to benefit from its value-pricing strategy, in which it permanently dropped the price of its tacos, the company said. Promotions during the quarter, including its collector cup tie-in with the box-office smash "Batman" movie, and tighter cost controls also contributed to the gains.

In the third quarter, Taco Bell's profits soared 50 percent, to $40.5 million, on a sales gain of 33 percent, to $373.3 million. Same-store sales for U.S. company-owned units rose 22 percent in the quarter and 21 percent in the latest nine months.

At Pizza Hut strong sales gains from traditional and delivery channels, improved operating margins and rapid expansion of delivery locations boosted the division's profits 33 percent, to $62.2 million, on a sales increase of 24 percent, to $596.3 million.

Taco Bell continued to benefit from its value pricing strategy, in which it permanently dropped the price of its tacos.

Comparable sales for domestic company-owned Pizza Hut restaurants increased 13 percent for the quarter and 13 percent for the September-ended nine months, Pepsico said.

Profits at Kentucky Fried Chicken declined 4 percent, to $36.4 million, while sales rose 7 percent, to $326.3 million.

"Strong double-digit growth at KFC International was more than offset by a decline in domestic operations, due principally to lower customer counts and higher chicken and labor costs," the company said.

Same-store sales for U.S. company-owned KFC restaurants were flat for the quarter.

Overall, Pepsico posted an increase of 12 percent in net income, to $269.3 million, on a sales gain of 25 percent, to $3.9 billion, for the latest quarter.

FACT FILE

A look at the statistics shaping the industry

WORTH THE WAIT IN PHILLY

(Average hourly earnings* of waitstaff at full-service hotel restaurants, 1988, in dollars)

Source: Bureau of Labor Statistics. *includes tips

Sales at restaurants, bars advance 2.4% in September

WASHINGTON — Sales at the nation's restaurants and bars grew 2.4 percent in September, their lowest year-to-year rate of 1989, according to initial figures from the U.S. Census Bureau.

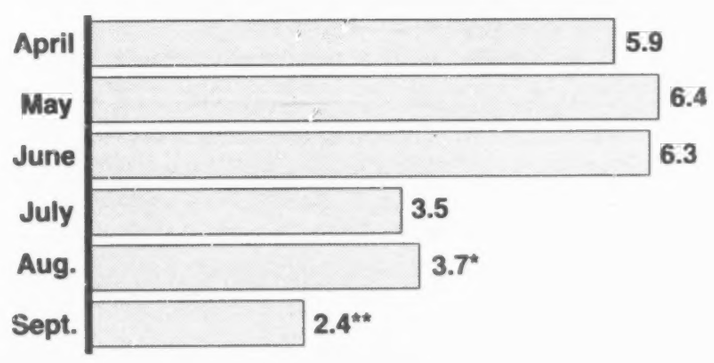
September was a difficult month for many restaurant companies, said Leslie Steppel, an analyst with Prudential-Bache Securities in New York.

Steppel estimated that real same-store sales — which are comparable-unit sales minus menu-price increases — fell 6 percent at Collins Foods International Inc., a major Kentucky Fried Chicken franchisee, in September; 2 percent at Luby's Cafeterias Inc.; 1 percent at McDonald's Corp.; 1 percent at Shoney's Inc.'s Captain D's seafood chain; and 0.5 percent at Wendy's International Inc.

Among the restaurant companies that Steppel follows, Ryan's Family Steak Houses Inc. posted the strongest real sales gains, 4.5 percent, followed by Shoney's coffee houses, 3.5 percent, and Chili's Inc., 3 percent.

SALES GROWTH SLOWS AT EATING AND DRINKING PLACES

(year-to-year percentage change)



Source: U.S. Census Bureau. Figures are not adjusted. *preliminary **advance

FOOD PRICE OUTLOOK

Broiler production up; prices down

Broiler producers have continued to boost production, with the increase running about 7 percent over last year's. Even though movement has also increased, it lags behind production, causing an increase of more than 25 percent in boilers held in storage. That, combined with lower **feed costs,** has prompted producers to lower prices to about 8 percent below last year's.

Turkey prices are running about the same this year as last. Although production is up, so is movement. The quantity in storage is up a bit over last year's but not enough to force holiday prices down to bargain basement levels. A continued increase in processed turkey products has turned marketing into a year-round activity. Although supplies are strong, panic holiday sales may be a thing of the past.

Pork prices have been high, as harvesting has kept many farmers from marketing hogs. Although the marketable hog-on-farm inventory is nearly even with last year's, prices are up more than 20 percent on the hoof, and pork prices are up more than 40 percent. At the same time, owing to a glut in storage, **pork bellies** — the raw material for bacon — are down slightly from last year's supply. Marketing should increase, and prices should moderate in the late fall.

Despite U.S. Department of Agriculture estimates that a **Florida juice orange crop** is down from last year's supply, prices will stay stable or even fall a bit. Brazilian producers lowered prices by more than 13 percent on frozen concentrate, which will make up nearly half of U.S. consumption. A late bumper crop plus a desire to increase world market share prompted the cut.

With **green coffee bean** prices at their lowest levels in the past decade, look for roasted coffee prices to continue to moderate as roasters go into their heavy production season. Failure of a two major attempts of the International Coffee Organization to impose quotas on producing countries and strong crops from Brazil and Colombia mean raw product prices should stay low well into winter.

— Patt Patterson

NRN FINANCIAL DIGEST

Economists expect drop in prime rate

NEW YORK — An easing in the federal funds rate to 8.75 percent from 9 percent has analysts predicting that banks will cut the prime rate by one-half percentage point, to 10 percent.

The prime rate — the benchmark interest rate that banks use in determining business and consumer loans — generally hovers about 1.5 percentage points above the federal funds rate, which is the amount of interest banks charge each other for overnight loans.

Following the Oct. 13 stock market plunge, the Federal Reserve began easing credit in an effort to restore investor confidence. When it becomes clear that the Federal Reserve has eased the bank rate to 8.5 percent, banks will cut the prime, bank economists said.

Banks last dropped the prime rate — to 10.5 percent from 11 percent — in July.

Natural disasters put strain on SBA

WASHINGTON — The Small Business Administration said that it has received more than 6,000 applications for disaster loans from South Carolina businesses and residents in the aftermath of Hurricane Hugo and that it is gearing up for a new flood of requests for aid following the earthquake that rocked the San Francisco area.

Almost half of the South Carolina appeals came from businesses, largely from restaurants and other tourist-dependent seaside concerns, an SBA spokesman said.

Rax loses $13.3 million for year

COLUMBUS, Ohio — Rax Restaurants posted losses of $6.4 million in its fourth quarter and $13.3 million for its year ended July 31.

The company said it lost $3.1 million on the disposition of assets and incurred a $4.3 million charge for the writeoff of past-due receivables from franchisees.

Revenues for the quarter dropped 5 percent, to $30 million, and the company's revenues for the year fell 9 percent, to $112.1 million.

In 1988 Rax's profits totaled about $1.1 million for its fourth quarter and $2.5 million for the year.

NCS loses $7.4 million

HOUSTON — National Convenience Stores Inc. said that despite a $3.6 million aftertax gain from the sale of 37 stores, the company lost $7.4 million in the quarter ended Sept. 30.

In the comparable quarter last year, the company's net income was $1.4 million.

Sales for the latest quarter increased 4 percent, to $285.6 million.

National Convenience operates about 1,100 convenience stores. In September the company closed its deal to sell 37 stores in the Nashville, Tenn., area to Mapco Petroleum Inc.

FOCUS | VIEWPOINT

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A true landmark: The Four Seasons

Tom Margittai, a native of Transylvania, and Hungarian-born Paul Kovi had a crucial decision to make in 1972 when Restaurant Associates decided to sell The Four Seasons restaurant in New York City's Park Avenue Seagram Building. As RA vice president and Four Seasons director respectively, they faced this choice: Should they place their future with The Four Seasons, which they dearly loved but which was rapidly declining and required endless commitments of time and energy without foreseeable monetary rewards? Or, then at a critical career juncture in their late 40s, should they accept any of a number of food-service opportunities, including one as a McDonald's New Jersey franchisee, where they would probably become wealthy and not have to work the grueling 16-hour days of fine dining?

The two pondered their options and chose The Four Seasons, purchasing it from RA and dedicating themselves to restoring its eminence — and then some. Showering their love and affection for this temple of dining, where the rich and famous gather daily, they turned it from a losing operation in an economically hard-hit city in the early 1970s to a phenomenally successful operation with quadruple its former volume.

True, the reservations are not quite so difficult to obtain today in the slump that has again assailed New York City restaurants, and the tables are no longer full after 10 p.m. But lunch and dinner still draw peak crowds, and The Four Seasons still is a coveted ticket.

Only Margittai's and Kovi's close personal attention to every conceivable detail of the restaurant and to their cherished customers has made this success possible. They have fashioned a stunning, eclectic menu that changes with each season. Along with the superb food, they have fine-tuned staff training to the ultimate and put in special personal touches, such as their own herb garden, at the restaurant.

The Four Seasons has won almost every conceivable award, including Nation's Restaurant News' Fine Dining Hall of Fame honor. The restaurant is internationally acclaimed. In fact, it is so famous that, whereas mention of the Seagram Building often draws blank stares in foreign countries, The Four Seasons is well-known to most traveling executives around the world.

From its opening in 1959, The Four Seasons has sported a modern elegant decor with carefully selected artwork, large plants, and special chairs and fixtures. Even the walls and railings are extremely well designed.

Five dining rooms on the first and mezzanine floors seat 400 persons, and the top attractions are the Grill Room, where major deals are consummated, and the pool room with its unsurpassed fountain and relaxed dining. Two well-stocked wine cellars are virtually unparalleled.

It is without question a landmark restaurant. In fact, no other restaurant in the world is comparable.

Thus the New York City Landmarks Preservation Commission earlier this month unanimously certified The Four Seasons as the first Manhattan restaurant to achieve landmark status, along with the 31-year-old Seagram Building, in which it is housed. The only other New York City restaurant to receive landmark status is Peter Aschkenasy's Gage & Tollner in Brooklyn.

The action designates The Four Seasons' space as a landmark and would help protect it from any conversion to other uses when the current 20-year lease expires in 1999, although a different restaurant could be put in the hallowed premises then.

In view of all this, it is distressing that the building's owners for the last 10 years, the powerful, national Teachers Insurance and Annuity Association, have asked the New York City Board of Estimate to overturn The Four Seasons landmark designation, as is the board's prerogative. Although such a reversal, which by statute would have to be done by December, seems unlikely, the association well may appeal to the New York State Supreme Court next year.

Actually, the association and its representatives have been fighting any landmark status for The Four Seasons since Margittai and Kovi first applied for it in May 1988.

"It would, in my judgment, be a shocking intrusion upon the personal property rights of these respective owners to be subject in any way to a landmark designation which purported to restrict or affect their right to use and dispose of this property in any way they see fit," real-estate agent Edward S. Gordon wrote to the commission just two months ago.

Philip DeGennaro, vice president of the Teachers Association, maintained that any such landmark designation would be "a singular benefit" to The Four Seasons, "locking us in to restaurant use of this space."

Paul Bayard, the association's architect, insisted that the space occupied by The Four Seasons is undistinguished and that, without the furnishings, would be "a void without any particular architectural character." But master architect Philip Johnson designed The Four Seasons in the late 1950s while Garth and Ada Louise Huxtable planned the table settings, and the restaurant has remained true to its origins ever since.

While vehemently opposing any landmark status for The Four Seasons or its space, the association has no objection to the building itself being a landmark. It simply wants to reserve the right to amend The Four Seasons' lease when that expires in 1999 or the option of bringing in a new tenant. It regards landmark status as infringing on the landlord-tenant relationship by locking it into a permanent lease.

Fortunately, many of The Four Seasons' prominent customers from publishing, the theater and all walks of life as well as some who are not customers wholeheartedly supported the landmark application.

"Thirty years have passed since we designed the glassware, china, silver holloware and wagons and other dining accessories," the Huxtables wrote. "The building and the restaurant could not have been more closely allied."

"This restaurant has remained exactly as it was originally designed," Donald Trump declared. "Then, as now, it is a magnificent design and an artful use of space that deserves landmark designation."

"There is no more elegant space in Manhattan that typifies the essence of quality," emphasized Random House's Joni Evans, "and all New Yorkers join me in this sentiment."

"I treasure the combination of grandeur and privacy," Helen Frankenthaler proclaimed.

"It would be a tragedy if it were turned into office space or an automobile showroom," attorney Edward Costikyan asserted.

George Lois, chairman of Lois Pitts Gershon advertising, hailed The Four Seasons as "a veritable temple of cultural excellence" and exclaimed, "Hallelujah!"

When Joseph Seagram & Sons selected the site at 375 Park Ave. as its headquarters building in the late 1950s, some consideration was given to putting a crafts museum or a stylish automobile showroom in the space on the main floor. But Seagram's was intent from the first on launching a top-class restaurant. When the building opened in 1958, Seagram's chose Restaurant Associates and issued a mandate to "open a great restaurant."

Joseph Baum did exactly that and more. Later, after The Four Seasons had lost luster, Seagram's gave Margittai and Kovi the same mandate.

Now in their mid-60s, they have persevered and succeeded beyond even their own dreams and deserve the right to eventually pass the restaurant along to the people they have so astutely trained to run it.

Landmark status would help preserve these goals and must be upheld for The Four Seasons. How much better it has been and will be to have a glittering, acclaimed restaurant than an automobile showroom or bank in that space.

LETTERS

Great to get the facts on the cooking oil saga

Editor, NRN:

Thinking back to our conversation at the recent meeting in Washington, relative to the information I had sent you on our "cooking oil saga" here in Missouri, I had no idea that it would appear as a full-blown wonderful editorial written by you. All of us thank you very much.

I Called Carl Degen at our Missouri Restaurant Association in Kansas City to let him know I had not meant to have my name mentioned. Carl said it was no problem; he was just delighted to have this information "sent out" to the industry because it might help some other group.

We heard Virginia is trying to do the same thing. I am not sure if our Supreme Court of Missouri decision would have any bearing on another state or not. Maybe.

— Marshall Scott
president
Marshall Scott Enterprises
St. Louis

What will the FTC do?

(Continued from page 1)

regulations would supercede state laws, which are widely regarded as being more stringent than the current nationwide laws.

Critics also note that the FTC guidelines may not address such concerns as what a franchisor can claim in advertisements for prospective licensees—a matter regulated by some states. It is not certain whether those laws would be voided by new national laws.

What's more, a turf battle between the FTC and state rugulatory bodies could draw attention away from needed reforms of the disclosure laws themselves. "There are so many things you can't say because of the disclosure laws," commented Tom Feltenstein, managing principal of Franchise Systems Corp., a marketing and franchise consultant in West Palm Beach, Fla.

Ironically, the FTC roused so much anxiety in a well-intentioned quest to facilitate the courtship of franchisors and prospective licensees.

For the last decade, the industry has been regulated by a patchwork of federal and state regulations; the FTC dictated what information a franchisor had to provide a prospective franchisee, but allowed state laws to hold away if those disclosure regulations were more stringent.

Fifteen states and the District of Columbia have franchise disclosure laws on their books; in the remaining 35 states, a franchisor complies with the FTC's disclosure requirements. To spare a nationwide franchisor from the hassle of using a different means of disclosure in every state, all regulators—both federal and state—agreed years ago to accept a standard form called the Uniform Franchise Offering Circular.

The setup clunked along until 1986, when the UFOC was updated by the North American Securities Administors Association, the group that monitors use of the UFOC. The revised document required less information from franchisors about their earnings.

The FTC and 14 states accepted the new form; New York and Minnesota balked. The new form was scheduled to be phased into use during 1988. Afterward, chains would be required to process several different forms to sell franchises nationwide.

Licensors have long been riled by a similar lack of standardization in registration laws. Each state requires prospective licensors to register before they begin selling franchises. Yet the registration requirements vary widely.

FTC commissioner Terry Calvani admitted before a franchising convention that efforts to weave a "seamless quilt of disclosure laws" had "instead produced a crazy quilt."

Earlier this year, the FTC decided to ease licensors' plight by overhauling federal franchise regulations. Toward that end, the agency said it would consider the pre-emption of all state laws with a national standard. Concerned parties were asked to present their views on that possibility.

"We were equivocal," said the IFA's Simon. "We detailed the problems of the existing dual franchise regulations and concluded that it was an enormous burden. We said we didn't care if the states act or the federal government acts, as long as something is done to come up with one system."

As the FTC was reviewing the input, the influential NASAA shocked all interested parties by suddenly submitting what it dubbed a "model franchise investment act." Included in the comprehensive proposal was the recommendation that franchisees be given a six-month warning before being terminated, and that a licensor be required to acquire a terminated franchisee's assets.

The IFA has vehemently attacked the measure. "The industry couldn't live with it," Simon said.

"It's not a final proposal," counters John Hayden, a California securities administrator who chaired NASAA's ad-hoc committee to draft the model franchise act. "It's a committee product. The act has not been adopted by NASAA, and it's out for public comment."

Why present an unfinished proposal to the FTC?

"There part of the public," said Hayden. He declined further comment because "we would like to wait until we get the public comments."

As for the timing of the proposal, Hayden asserts that it is not an issue because the IFA has asked the FTC to accept further comment about possible changes in franchise regulations. Many expect the FTC to re-convene the information-gathering process.

But, warns Simon, the FTC could surprise everyone. "I don't think there's anyone who knows what the FTC is thinking right now," he commented.

Food-service franchisees flex their newfound muscle

When Arby's parent company recently received an unsolicited takeover offer, it responded with a terse "no deal." But franchisees of the sandwich chain quickly butted in with a "not so fast." Concerned that a hostile takeover battle would siphon money away from the restaurant chain, licensees sought to yank Arby's out of the fray by insisting that the system be sold to them.

When The Pillsbury Co. abruptly decided last year to spin off its Burger King chain to thwart a hostile takeover by Grand Metropolitan PLC, the hamburger chain's franchisees screamed their displeasure. Convinced that another buyer would be too strapped with debt to turn around the ailing system, franchisees convened their own powwow with Grand Met. The divestiture plan fizzled, and today Grand Met owns Burger King.

And when the president of Rax, a Midwestern fast-food chain, fired a much-liked marketing executive for a sales dip that did not seem tracable to the marketing department, licensees yelped loud enough to get some attention. Months later, the president resigned under pressure.

Those recent occurences underscore the growing militancy and might of today's restaurant-chain franchisees.

"Franchisees are starting to revolt,"

(Continued on page 6)